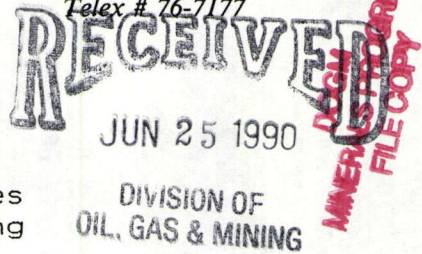


JUMBO MINING CO.

6305 Fern Spring Cove
Austin, Texas 78730
(512) 346-4537
Telex # 76-7177

Received 6-25-90
HWS



June 22, 1990
File: OGM6220

Mr. Lowell P. Braxton
Associate Director, Mining
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

FAX NO. 801-359-3940

Dear Mr. Braxton:

Re: Drum Mine, M/027/007; 60-Day Test for Bureau of Water Pollution

Thank you for your prompt response to my letter dated May 30th, requesting permission to proceed with the above referenced heap leach liner tests, as required by the Bureau of Water Pollution. You have ruled that these tests constitute "mining activities" and thus require reclamation bonding, and have given us two alternatives:

- a) Obtain permission from WSMC to proceed under their reclamation bonding of these unpermitted heaps, or,
- b) Request your Division's approval of amendments to JMC's MRP and bond.

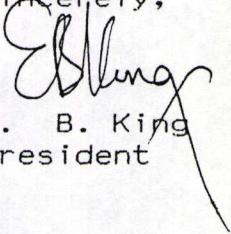
With respect to a), we have contacted WSMC's attorney on this matter and, not having received any answer, must accept the continued noncooperative attitude of WSMC and proceed independently to option b).

In order to be allowed to proceed expeditiously with the leak test required by the Department of Environmental Health, as one of its requirements for the issuance of a use permit for these previously unpermitted heaps, for gold ore heap leaching, JMC herewith offers to post the required bond, as detailed below, and to undertake the reclamation obligation for these heaps, irrespective of the outcome of these tests. In the event that, as a result of these leak tests, these heaps prove unsuitable for use, we will look to WSMC to reimburse us for the final reclamation costs, pursuant to our purchase Agreement with them.

Accordingly, we herewith request your approval for amendments to JMC's MRP and increased bonding as described in the attachments hereto. Upon receipt of your approval we will promptly post the increased bond, following procedures established for the main reclamation bonding now in place.

As this proposal is closely related to other petitions which will be submitted to the Division of Environmental Health, and should be considered in the light thereof, we are pleased that your representative, Mr. Wayne Hedberg is able to attend a joint meeting on June 25th at 1 pm at the Department of Health to review the overall situation.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. B. King". The signature is written in dark ink and is positioned above the printed name and title.

E. B. King
President

PROPOSAL FOR AMENDMENT OF MRP AND BOND
FOR HEAPS NO.2 LG and NO.7

BACKGROUND:

At the time of take-over of the Drum Mine property from Western States Minerals Corp. by Jumbo Mining Company, it was determined that WSMC had built and operated a number of gold ore heap leaching installations, without having secured a permit from the Utah Department of Health, Division of Environmental Health. Subsequently, said Department, ordered that operation of these heaps be discontinued, and further, a time limit (October 1, 1990) was placed on the use of other, previously permitted heaps.

In addition, although the reclamation conditions of the original mining permit granted to Western States Minerals Corp. for the Drum Mine site have been interpreted to require approximately 55,000 cubic yards of topsoil to have been set aside for final reclamation purposes, it was determined that there existed on the Drum Mine site, at the time of the takeover of the property by Jumbo Mining Company, less than 5,000 cubic yards of stockpiled topsoil.

The Division of Oil, Gas and Mining has requested that WSMC replace this missing topsoil, or in the alternate, demonstrate with suitable test plots an alternate revegetation seeding, mulching, and fertilization procedure. If this test procedure proved to be successful, presumeably WSMC would then be responsible, under its sales agreement with Jumbo, for any additional cost beyond that which Jumbo would incur if the topsoil had been set aside. As of this date, WSMC has not submitted this alternate plan, nor offered to replace the missing topsoil, and the DOGM has retained the full amount of WSMC's reclamation bond.

The small amount of topsoil which does exist on the property, plus a small additional borrow which is available as needed from the Truck Pond area, is calculated to be sufficient to cover to a depth of six inches the areas to be reclaimed on No. 2 LG and No. 7 heaps (2.9 and 5.3 acres, requiring 2,336 and 4,269 cubic yards of topsoil, respectively).

The reclamation bonding cost used in the May 22, 1989 "Reclamation Estimate for Jumbo Mining Company M/0-23/013" was \$0.63 per cubic yard for hauling and spreading of topsoil. Thus, for the quantities indicated for these two heaps, hauling from the existing stockpile site and the proposed borrow pit located in the same area, the bonding required is as follows:

ESTIMATE FOR RECLAMATION BONDING

	Heap No.2LG	Heap No.7
Area, acres....	2.9 2.9	5.3
1) Topsoil hauling and spreading.....	\$1,472	\$2,689
2) Decommissioning, trash, recontouring, and revegetation @ \$1,565/acre.....	\$4,539	\$8,295
Subtotal.....	\$6,011	\$10,984
3) Add 10% contingencies and 11% escalation	\$1,262	\$ 2,307
TOTAL.....	\$ 7,273	\$13,291
4) Total for both heaps.....	\$20,564	
	=====	

It should be noted that the Truck Pond area has previously been included in the reclamation area for which Jumbo has posted bond, and thus, no new area of disturbance will be created as a result of this proposal.

cc: F. Rex Rowley, BLM, House Range Resource Area
Don Ostler, Dept. of Environmental Health
Steven Clyde